

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water Branch

RESOLUTION NO. W-4422
September 18, 2003

R E S O L U T I O N

**(RES. W-4422), CALIFORNIA WATER SERVICE COMPANY (CWS),
SOUTH SAN FRANCISCO DISTRICT. ORDER AUTHORIZING AN
OFFSET RATE INCREASE PRODUCING ADDITIONAL ANNUAL
REVENUES OF \$1,041,700 OR 11.0% FOR INCREASES IN THE COST
OF PURCHASED WATER.**

SUMMARY

This Resolution authorizes CWS to increase revenues in its South San Francisco District by \$1,041,700 or 11.0% to offset the increased cost of purchased water rate imposed by the San Francisco Water Department (SFWD). By Advice Letter No. 1551, filed June 24, 2003, CWS seeks revision of tariff Schedule No. SS-1, General Metered Service, to provide for an increase in revenues. This increase is a result of increased costs for purchased water since CWS' present rates became effective July 25, 2000. The offset rate increase will not result in a rate of return greater than last authorized for CWS.

BACKGROUND

CWS requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset: (1) a \$1,040,700 increase in purchased water costs, and (2) \$1,000 in related increases in uncollectibles. Effective July 1, 2003, the SFWD, regulated by the San Francisco Public Utilities Commission, increased the purchased water rates charged to CWS in its South San Francisco District.

CWS' South San Francisco District serves approximately 15,900-metered customers in the city of South San Francisco and vicinity, in the County of San Mateo. The present rates for CWS became effective July 25, 2000, by Decision 01-08-039. Two attrition increases in the subsequent two years were authorized but no offset for purchased water expense increases was made subsequent to that decision.

DISCUSSION

The offset increases requested herein are for the purpose of recovering in rates, on a dollar-for-dollar basis, changes in expenses that have occurred since the present rates became effective. This rate increase will not result in a return greater than that previously authorized.

The reason for the above changes is as follows: SFWD increased its suburban wholesale purchased water rates effective July 1, 2003, from \$0.88/Ccf (One Ccf is equal to one-hundred cubic feet) to \$1.10/Ccf and connection charges increased a similar percentage. The rate adopted in the most recent rate case was \$0.86/Ccf so this new expense increase will make the total wholesale rate differential \$0.24/Ccf. The combined impact of the two SFWD increases results in a \$1,041,700 increase in purchased water costs for CWS.

The increases in SFWD's purchased water cost are directly related to water consumption and therefore the associated rate increase for CWS shall be applied to the quantity rates. In order to recover the higher costs, CWS will increase its quantity charge by \$0.2619/Ccf. The monthly bill for an average residential customer utilizing 1,000 cubic feet of water per month would increase by \$2.66 from \$27.00 to \$29.65, or 9.8%.

Service by CWS is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. CWS earned a return of 10.80% on a recorded basis and 9.34% on a pro-forma basis in 2002. The utility's most recent authorized rate of return was 8.99% in 2001.

NOTICE AND PROTESTS

CWS has given public notice of the request for an increase by publishing in a local newspaper of wide circulation in the South San Francisco District as evidenced by a Proof of Publication provided to the Water Division by the utility. No protests letters were received concerning the proposed offset increase.

Additionally, CWS provided bill inserts to all customers during the monthly billing cycles in July and no protest letters were received as a result of that method of notification.

FINDINGS

1. Effective July 1, 2003, SFWD will increase its wholesale purchased water rates from \$0.88/Ccf to \$1.10/Ccf.
2. SFWD's increase in rates will result in a \$1,040,700 increase in purchased water costs, and a \$1,000 increase in uncollectibles for CWS.
3. CWS has requested to increase its quantity charge by \$0.2619/Ccf to offset the \$1,041,700 in increased costs for purchased water and related increases to uncollectibles.
4. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. California Water Service Company is authorized, to make effective, five days after the date of this resolution, revised Schedule No. SS-1, General Metered Service, attached to Advice Letter No. 1551, and to cancel the corresponding presently effective rate schedule.
2. California Water Service Company is directed to maintain its balancing account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on September 18, 2003; the following Commissioners approved it:

WILLIAM AHERN
Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD

LORETTA M. LYNCH

GEOFFREY F. BROWN

SUSAN P. KENNEDY

Commissioners